



Economic Conditions Governmental Finance United States Securities

New York, August, 1922.

General Business Conditions

THE leading topics of interest in the past month have been the crops and the strikes. The crops have come along finely. The farmers have been doing their part to supply community wants without sulking or striking, although not much consideration for their needs is shown in some quarters. The outlook is for one of the best all-around crops. The coal strike has caused the banking of a number of furnaces, but has not affected either industry or trade generally. For the week ended July 15 total car-loadings were 860,907, which compares with 774,884 in the corresponding week of 1921, 942,851 in 1920 and 902,296 in 1919. The loading of all commodities except coal exceeded those in any other week on record except the weeks of September and October, 1920. A scarcity of common labor is complained of, particularly in the iron and steel industry, and numerous wage-increases are reported. The automobile and tire industries have made new production records, but competition is sharp and prices are being slashed. In the oil industry, under heavy production, large stocks of crude have accumulated and two price cuts of 25 cents per barrel each have been made. Gasoline prices also have been reduced, but the consumption of gasoline is at a record-breaking rate.

House-building is at the height of activity. The strike of cotton-mill operatives in New England, which has lasted about six months, is waning, and an increasing number of mills have put into effect the wage reduction of 20 per cent with an increase of weekly hours from 48 to 54.

With the strikes out of the way, and especially with lower fuel and transportation costs, the outlook for fall business would be very good.

The Recovery of Sugar.

One of the most notable instances of industrial recovery is that of sugar. At the beginning of 1922 the outlook was most discouraging, with a large unharvested crop in Cuba hanging over the market and prices so low that the problem of providing credit to handle

it was a difficult one. The demand, however, both in this country and abroad has been large, and stocks have moved out steadily at advancing prices. Our information indicates the production up to July 1 of 27,038,835 bags, and to July 15, 27,322,733 bags, or 3,903,248 tons. As of July 15, 175 mills had ceased operations and 13 were still grinding. This is one of the largest crops ever produced in Cuba, and the unsold portion is estimated at 675,000 tons, of which about one-half is in the hands of New York interests, leaving not over 350,000 tons to be sold in the open market. It now seems certain that Cuba will be practically bare of sugar before grinding on the coming crop begins. The price of raw sugar which was a shade under 2 cents per pound in Cuba on January 1st last, has advanced to about 3 1/4 cents, and of refined in the New York market from a little under 5 cents to 6.90 or 7 cents.

General Course of Prices

The price changes have been narrow of late and largely offsetting each other. The commodity index of the Federal Reserve Bank of New York, which consists of 20 basic commodities, has shown a slight downward trend in July, declines in wheat, cotton, cattle, oil, rubber, and others counterbalancing advances in sugar, hides, etc. The Reserve Bank's list reached its low point in June, 1921, at 121.4 and now stands at 139.1, prices of 1913 being 100. On the other hand, the tables of the Bureau of Labor for wholesale prices, which include many articles of manufacture and in the aggregate about 400 commodities, reached its low in January, 1922, at 138, and for June, 1922, stood at 150. It showed a rise of 1 1/3 in June over May. The swing of fluctuations since the high point of the boom, May, 1920, is shown for the several groups of the Bureau's tables below:

Group	May, 1920	June, 1921	May, 1922	June, 1922
Farm products	244	114	132	131
Food, etc.	287	137	138	140
Cloths and clothing.....	347	172	175	179
Fuel and lighting	235	191	216	225
Metals and metal prod....	193	133	119	120
Building materials	341	163	160	167

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Group	May, 1920	June, 1921	May, 1922	June, 1922
Chemicals and drugs.....	215	133	122	122
House furnishing goods....	339	196	176	176
Miscellaneous	246	125	116	114
All commodities	272	142	148	150

Financial Conditions

The money-market is easy, with little change in demand. The twelve Federal Reserve banks touched a new low of discounted bills for this year on July 26, when they held \$115,238,000 secured by government obligations and \$264,743,000 secured otherwise, or a total of \$379,810,000. Loans and discounts of reporting banks also show further slight reductions, liquidation still more than offsetting new borrowing.

Conditions in the Northwest are indicated by the statements of the St. Paul and Minneapolis banks as of June 30 last, in comparison with those of the corresponding date last year. The figures are as follows:

	June 30, 1922	May 5, 1922	June 30, 1921
Deposits	\$379,702,000	\$372,881,000	\$345,084,000
Loans and Discounts	230,057,000	230,354,000	272,216,000

Gold importations, which were nearly suspended for several months following the strike in the Transvaal, have been resumed, and seem likely to continue while exchange rates are in their present state. For the month of July they have amounted to about \$38,000,000. These, of course, are a cumulative influence for easy money. For the fiscal year ended June 30 they aggregated \$468,310,273, with exports of \$27,345,282.

Inasmuch as recent shipments from London to this country have coincided with reductions in the gold holdings against Exchequer notes in circulation, there appears to be some support for the surmise that the British Treasury is making preparations to pay interest upon its debt to the United States government in the coming Fall.

The stock market has been strong despite the strike conditions, and the bond market has been steady with an upward tendency for the best securities, Liberty bonds reaching new high figures. The sale of tax-exempt securities, particularly the land bank issues, has been heavy.

Corrected figures of all foreign loans offered in the United States from January 1, 1922, to June 26, 1922, according to the Acceptance Bulletin, are as follows:

January	\$92,618,000
February	57,768,000
March	163,220,000
April	207,100,000
May	34,320,000
June	118,775,800
	\$673,801,800

This is against a total for the entire year of 1921 of \$695,204,225.

Crop Conditions

The government's July report on the Winter wheat crop gave an estimate of 569,000,000 bushels, which compares with a final estimate of 587,000,000 bushels for 1921. The crop suffered some shrinkage from hot weather in maturing, which caused the July estimate to be below the previous ones. It has taken considerable rain in the shock, which may cause some damage to quality, and has delayed the movement to market. It is not moving as fast as a year ago, one reason being that the price is down to where it yields less than \$1.00 per bushel to the farmer at country stations in the West.

The Spring crop in Minnesota and the Dakotas will be a bumper yield per acre, but is not good in the Pacific Northwest. The acreage is smaller than last year, but the country should have as much wheat in the aggregate as last year. The Canadian crop promises to be the largest since the big year, 1915, so that the aggregate amount of wheat available for export from North America probably will be the largest since then.

The prospect for European demand for wheat is good. The special advices of the Department of Agriculture estimate the production of wheat in Europe outside of Russia at 90,000,000 to 100,000,000 bushels less than last year, when Europe imported about 600,000,000 bushels. The report from Germany says that that country is consuming much less wheat than before the war, apparently substituting potatoes and other vegetables. Recent rains there have improved the prospect for potatoes.

For the four weeks ended July 27 exports of wheat and flour from the United States and Canada equalled 28,458,439 bushels, against 31,046,986 bushels in the corresponding period a year ago.

For the fifty-two weeks ended June 29 last the total exports of wheat and flour, counting flour at its equivalent amount of wheat, from the United States and Canada aggregated 379,505,597 bushels, against 440,483,107 for the corresponding period in the previous year.

The corn crop of the United States is in good condition, promising much better than a month ago. The yield now seems likely to go up close to the 3,000,000,000 mark.

The oats crop is a poor one, but the price remains low, on account of the heavy carry-over. Potatoes, vegetables of all kinds and fruits are in good supply.

Altogether the supply of foodstuffs is ample to maintain prices probably at about the present level, although the status of wheat will depend upon the crops of the Southern hemisphere which mature four or five months hence.

Cattle-feeders in the West did exceedingly well in the first half of this year, partly owing to better prices but largely owing to the fact that they put the stock into the feed lots last year at low prices. In part, therefore, their profits were at the expense of the growers. This year all young cattle have advanced to prices in harmony with the value of fat cattle, and the outlook for the finishing end of the business is more uncertain.

The sheep industry has made a good recovery, as wool is selling at double the prices of a year ago and lambs are bringing excellent prices to feeders.

Dairy Products

The season of storage for butter and eggs is now practically over, and the annual problem of the dealer who buys in the Summer against the Winter's consumption is illustrated by the present situation. Nobody can know when the season of surplus production opens how big the surplus is going to be, for it depends on weather conditions. Up to June 1st, 1922, butter storage was below that of last year in the same time, but in June, according to the July government report, the amount in storage increased 54,723,000 pounds, against an increase of 40,309,000 pounds, last year. The amount in storage July 1, 1922, was 67,848,000 pounds, against 61,991,000 pounds on July 1, 1921, and the past month has been a favorable one.

The egg situation is similar. The Bureau of Markets' figures for eggs in storage on June 1 and July 1 of each year for the last four years are as follows:

	July 1	June 1	Increase
1922	9,763,000	8,043,000	1,720,000
1921	7,534,000	6,844,000	690,000
1920	6,747,000	5,143,000	1,604,000
1919	7,659,000	6,098,000	1,561,000

Receipts at central markets have continued on a heavy scale in July.

The prices at which the storage stocks can be sold next Winter will depend upon conditions at that time. The weather will affect Winter production, and industrial conditions will affect consumption in some degree, although it is noteworthy that the consumption of butter and eggs has held up very well throughout the recent period of hard times.

Evidently it is not the easiest problem in the world to determine in a competitive market what prices may be paid for butter and eggs in June to be sold in January and February.

Prices have been weaker during the past month.

The Producers' Price Current gives a table showing the average prices of the best quality of New York State Cheese, in June, September and the following February, in every year since 1909:

	June	September	The following February
1922	19.86c
1921	16.09c	21.78c	22.92c
1920	26.76c	29.16c	27.52c
1919	31.71c	30.97c	30.83c
1918	23.64c	28.36c	35.59c
1917	23.43c	25.34c	26.23c
1916	15.49c	19.53c	25.79c
1915	15.55c	14.63c	18.13c
1914	14.94c	15.89c	17.09c
1913	14.57c	16.13c	18.24c
1912	14.55c	16.29c	17.74c
1911	11.45c	13.97c	17.40c
1910	14.31c	15.12c	14.93c

The Cotton Crop

The cotton crop has improved in condition very much since the middle of June, and there is now talk that if the weather remains favorable it will make 12,000,000 or more bales. Reports vary greatly, but the consensus of opinion is that the outcome depends upon the extent to which the weather favors the boll weevil. Jay & Co., under date of July 24, review the situation as follows:

Reviewing the situation as a whole, the cotton plant is in good condition and were it not for the boll weevil the outlook would be very encouraging. The weevils, however, are present and numerous in all of the large producing States, but their depredation has been substantially checked by the activity of the farmer, aided by favorable weather in the western and middle sections of the belt. Some farmers are using poisons and machines and are picking up and burning the squares. Many farmers, however, are rather indifferent. The real menace to this year's cotton crop is the weevils and it is reflected in the percentage condition of this report. Were the insect not present, the condition of the plant would justify a much higher condition rating. As it is, our correspondents unanimously comment upon the destruction which the weevils will cause under weather conditions favorable to their activity and propagation. A good general rain in Texas; clear hot weather elsewhere and one good general rain during August is the kind of weather needed to produce the best results.

Using the Government acreage figures (allowing 1 per cent for abandonment of acreage), the percentage condition shown in this report indicates, with normal weather henceforth, a yield of approximately 11,950,000 bales (linters excluded). The carry-over July 31, 1922, of American cotton, all kinds, everywhere, will be around 5,000,000 bales.

The price of cotton is one to two cents below the range in June, and cotton goods manufacturers still complain that goods are below the parity.

Domestic consumption of cotton in month of June was 507,800 bales. Exports from August 4, 1921 to July 28, 1922, were 6,033,993 bales, against 5,583,451 in the corresponding period of 1920-21, and 6,361,430 in the corresponding period of 1919-20.

Reparations and International Debts

News reports from Europe in the past month, have been of a conflicting character, on the one hand telling of increased financial demoralization in Germany and Austria and on the other hand affording some reason for confidence that the very gravity of the situ-

ation was bringing the reparations problem nearer to a final settlement than it has been.

The German monetary unit, the mark, which before the war was worth 23.8 cents, or about four to the dollar, and for which the exchange rate even six months ago was about 200 to the dollar, has dropped within the last week to an exchange rate of over 600 to the dollar. This decline signifies a further loss of confidence in the situation.

It has been evident that Germany was not creating the trade balances abroad which constitute the only means by which reparations payments in large amounts can be made. In the first six months of 1922 the excess of imports over exports has been approximately \$50,000,000. Nothing is to be gained in the long run by requiring the German government to sell German paper currency in foreign markets which already are surfeited with it, and the policy of acquiring foreign exchange from German exporters, leaving German importers without the means of purchasing the raw materials and foodstuffs which must be obtained abroad, works out with the same results. Even the critics who are most suspicious of German policies are obliged to recognize that it is impossible for a country to make large payments abroad without having a surplus of exports over imports, unless it is able to borrow abroad, which Germany under present conditions cannot do.

Financial Demoralization

The constant printing of more currency, for whatever purposes, inevitably forces further depreciation, and threatens more serious financial embarrassment and social disorder. The reparations payments of themselves have not been the sole cause of the depreciation. It is doubtless true that a numerous and influential party has given no cooperation to the government in its efforts to make the reparations payments, but it has been demonstrated over and over again that governments are not very effective in coercing great numbers of people to do what they are unwilling to do. There is much confusion of opinion, and intensely bitter contentions within Germany, of which evidence is seen in the recent assassination of a Cabinet Minister. The German parliament is composed of more factions and blocs than the American Congress, and even here, with nominally a strong party majority, the Executive is not always able to get the co-operation he desires. Important business leaders in Germany who have refused cooperation have defended their attitude by insisting that the payments called for were beyond the ability of Germany and that the sooner this fact was understood the better.

Opposition to German Exports

Moreover, this claim has had no little support in other countries, from economists and business men who have either expressed the opinion that Germany could not secure such an excess of exports over imports as would enable the payments to be made, or have urged that if she could do so the industries of other countries would be prostrated by the competition. The Chairman of the London, Joint City & Midland Bank, the largest bank in the British Isles, in his address at the stockholders' meeting last January, declared that it would be better for Great Britain to forego its share of the reparations entirely than suffer the disturbance to British industry that would result from such a volume of German exports as would be necessary to pay them.

The French attitude toward German exports to France is similar. It has not been thought practicable to bring German workmen into the devastated regions for reconstruction purposes, and much opposition was manifested to having Germany supply materials. This attitude is natural and understandable, but for the very reason that it is instinctive and natural it must be taken into account in calculating the ability of Germany to sell great quantities of goods abroad. It is a familiar fact that the possibility of large German exports to the United States has been constantly before the committees of our Congress engaged in framing the pending tariff measure, and that the schedules have been drawn with a view to preventing them.

The Effect of General Depression

Obviously the ability of Germany to build up a great surplus of exports over imports is not independent of the willingness and ability of other countries to receive German products. It is directly dependent upon the state of foreign markets and the attitude of foreign governments and foreign buyers toward German goods. As to the first, the conditions are not favorable. Trade is depressed all over the world, and in all countries there is a disposition to discourage imports. Germany had a large trade before the war in eastern Europe, particularly Russia. There is very little trade with Russia now, and the new nations of eastern Europe are intent upon building up domestic industries. In view of these known conditions and the unwillingness of such countries as Great Britain, France and the United States to receive increased importations from Germany, it is evident that the situation is one calling for thoughtful consideration. It does no good to insist upon the impossible, or to allow suspicions of German policies, natural though they may be, and justified in some degree as they undoubtedly are, to obscure the manifest facts.

Moratorium Probable

Germany made the payment due on July 15, but has asked to be relieved of further cash payments for several years, pending efforts to stabilize her currency and recover her financial and economic poise. The Reparations Commission has authority to suspend or adjust payments, and is impressed with the necessity of action, but will require that it be placed in position through its own representatives in departments of the German government to be completely informed upon revenues and disbursements and all facts touching the ability of the German government to make payments in the future. It does not appear that these representatives are to be vested with any authority over governmental policies, but the information they obtain will guide the Reparations Commission in the exercise of its authority under the treaty. The German government has agreed to this arrangement, which appears to be a step toward an understanding.

Payments in Kind

The cessation of cash payments need not affect the delivery of materials under the arrangement worked out by Ministers Loucheur, representing France and Rathenau, representing Germany more than a year ago. Practically nothing has been done under that agreement up to this time, owing to complications which developed in regard to settlements between France and her allies, but an adjustment of these terms has been effected.

The idea of payments in construction work is susceptible of development, and an extensive program of public improvements in France has been proposed, to be carried out by the German government in lieu of cash payments. Such works would be the equivalent of German exports, but unlike exports of manufactures sold on the market they would not compete with the regular home production.

The Inter-Allied Indebtedness

The Associated Press has carried reports that the British government is ready to agree to the cancellation of the French debt to Great Britain, which amounted to £566,000,000 at the end of 1921, and also cancel its own claim to reparations, upon condition that France consent to a reduction of the total German indemnity payments to 50,000,000,000 gold marks, or about \$12,000,000,000. The British Chancellor of the Exchequer, answering an inquiry in Parliament, has stated that this report is without foundation, but the French Premier and Minister of Finance are visiting London early this month for a conference, and there is reason to believe that the whole situation as to reparations and inter-allied indebtedness will be considered with a view to radical readjustments.

The British government has already expressed a readiness to confer upon the subject of all-around debt cancellations, but its suggestions have contemplated that the United States, as the chief creditor, would participate. Of late, however, public sentiment in England has been developing in favor of action without waiting on the United States, and in view of the necessity of doing something to relieve the critical situation on the continent, it may be that the government will make concessions along this line. Public opinion is, by no means, unanimous on the subject, the Association of British Industries, an important body of business men, opposing cancellation.

The Claims of France

There is much to be said for the view that France, having borne the brunt of the war losses, and facing the necessity of making further great expenditures for housing the homeless people in the devastated districts, cannot be asked to further reduce her claims for reparations without having aid in doing so. If the reparations question is the crux of the European situation, all the world is vitally interested in its settlement. All countries will be benefited by clearing up a situation which is a continuing menace to the peace and financial stability of the world, and France may fairly claim that others should share in the sacrifices that are required.

The financial policy of France has been based upon the expectation that she would receive reimbursement at least for the actual expenditures necessary to put her people back into their workshops and homes in the war-ruined territory. It was impossible for the nation to refuse to make these expenditures, and they have been carried on as rapidly as the work could be done and the funds provided by internal government loans.

The expenditures on this account to December 31, 1921, aggregated 74,000,000,000 francs, which at the gold value of the franc would be nearly \$15,000,000,000, and at the present exchange value, about \$6,500,000,000.

The Credit Lyonnaise recently has given the following figures from official sources, showing the progress made:

Of the population of the devastated districts 2,615,000 evacuated the territory, of which 2,280,000 have returned.

Of the cultivated area of land 1,900,669 hectares (a hectare is about 2½ acres) were rendered unfillable, and 1,467,776 hectares have been restored.

The entire railway mileage affected has been repaired.

Of the highways 53,830 kilometers were destroyed, 18,456 kilometers have been definitely repaired and 33,043 kilometers have been provisionally repaired.

Of industrial works 4,700 were destroyed and 3,645 have been restored into working condition.

Of homesteads 711,883 were destroyed or damaged, of which 671 have been rebuilt, 329,642 have been repaired and 136,042 temporary shacks have been constructed.

The efforts of the government were first directed to restoring the industries, in order to enable the people to earn a living. The chief task remaining is that of restoring homes, and the pressure of public opinion is such that the government cannot stop this work.

Taxation and Finance

During the war, when the energies of the people were so heavily drawn upon to repel the invaders, taxation was not increased as it was in England or the United States, but since the war ended the government has endeavored to go as far as practicable in efforts to increase the revenues, but has not been able to balance the budget, including interest, except by borrowing. The deficit in the past year was about 1,300,000,000 francs. The service of the public debt, including maturing life annuities, in 1913 required 1,355,000,000 francs, and in 1922 calls for 13,191,000,000 francs.

The Minister of Finance in his budget proposals presented last May, calculated the total foreign debt at 74,876,331,000 francs, at the present rates of exchange. The debt to the United States is about \$3,700,000,000, including interest. On her side the French government has loaned 15,181,000,000 francs to other governments.

The reconstruction expenditures come on top of all the costs of the terrible war; the demoralization of industry incident to the four years' struggle, the loss of 57 per cent of the male population between the ages of 20 and 31 and many of other ages, the creation of a great pension list, and all the other burdens and embarrassments that have followed in train.

Difficulties Attending International Payments

The practical difficulties which attend upon payments of great sums by one country to another, already referred to in the case of Germany, exist as to the indebtedness of France and other debtor countries. As in the case of Germany, France can only pay the interest and principal of her foreign debts in the products of her industries, and France at present has no foreign trade balance which can be converted to that purpose.

Moreover, there is the same question as to effects upon the industries of the creditor country of receiving quantities of foreign goods into the domestic markets. People persist in thinking of such indebtedness as though

it was like an ordinary debt from one individual to another in the same country. The conditions under which payments are made are very different. Indebtedness between individuals living in the same country is easily settled if the debtor has property of any kind of sufficient value to cover, and individual sales and payments are insignificant in the total volume of domestic trade. In case of payments from one country to another, movable goods must be shipped, and if the sums run into billions they become a very important factor in the trade relations. Moreover, under ordinary conditions, when a debt is incurred the debtor receives something valuable which provides the means of payment. In the case of a debt for war supplies nothing remains, and the relationship is thrown out of balance to the disadvantage of both parties.

The rule of trade is that goods are paid for with goods, labor offsetting labor. Money payments are impossible for great sums. A sudden inpour of foreign goods, taking the place of domestic products of common use without the opportunity to sell domestic products in return, is bound to disarrange domestic industry and affect domestic employment. A healthy foreign trade, which consists of an exchange of products, is one thing, but the dumping of foreign goods upon domestic markets, in great quantities, even though they come in payments upon debt, is a transaction of different effects, because an abnormal development. The situation would adjust itself in time, no doubt, but all these disturbing effects may well be taken into account in the efforts to compose the present troubled state of world affairs.

Position of the United States

It is inevitable that when efforts are being made to reach a settlement in Europe that will be accepted as final, there should be renewed discussion of the attitude of the United States. That has been fixed, for the present at least, by the Act of Congress creating the Refunding Commission. Negotiations already have begun between this Commission and a representative of the French government, relative to the refunding of the French debt, which is now in temporary form, and announcement has been made in London that a Commissioner will come to Washington in September to negotiate for refunding the British debt. The Commissioners for the United States of course cannot exceed the powers granted by Congress. The loans may not run more than twenty-five years, and the rate of interest may not be less than 4½ per cent, both of these conditions being fixed to make the indebtedness to this government cover the Liberty bonds that were issued to raise the original funds. Twenty-five

years is not very long in the life of a nation, or in dealing with international indebtedness running into billions of dollars. Some years probably must elapse before payments are begun, and all the difficulties which attend such payments are increased by shortening the period over which they are spread, and diminished by lengthening the period. It is within the discretion of Congress of course to refund the Liberty bonds at or before their maturity to give that debt a longer term and to extend the indebtedness running to this government in like manner. While public opinion in this country has been unyielding thus far to any suggestions for modifying the debts, there is reason to believe that it will assent to such adjustment of the payments as may best serve the mutual interests of all concerned.

Effects of Payments Upon the Exchanges

The United States is largely interested in international trade, and in the maintenance of stable exchanges. A large share of its most important products are exported, and all business conditions at home are affected by the foreign demand for these staples.

Thus it is evident that an attempt at this time to convert French currency into dollars for the purpose of making payments on this debt would have the effect of depreciating that currency in the same manner that the German currency has been depreciated by conversion to make reparations payments. Nobody would want to see that disastrous experience repeated. The depression of franc exchange would effect our trade with France unfavorably, making it more difficult for the French people to buy in our markets.

Payments from any part of Europe under present conditions would have similar effects upon the exchanges. The British government and British banking and commercial interests are desirous of restoring the pound sterling to normal relations with the dollar. It is now at a discount of approximately 10 per cent, and this discount increases the cost of all American products to British consumers in this degree. They would like to wipe out this discount, and by all rules it is to our interest, as sellers, to have it wiped out, for it is an item of cost upon our goods from which we derive no benefit. If Great Britain shall begin at an early day to buy approximately \$200,000,000 of exchange per annum for interest payments alone, the amount of exchange available for merchandise payments will be diminished to this extent, and the prospect of restoring the parity of the pound sterling and dollar will be made more remote.

Assuming the ability of Great Britain to send \$200,000,000 in gold per year to this country, which under stress it might do for

several years, the United States would derive greater benefits by having this gold used to stabilize the currencies of Europe than by having it added to our already superfluous stock. The chief service of gold is as banking reserves, and our banking reserves are now ample. We have heretofore pointed out that this country has more than its share of the world's gold, and that a redistribution must take place in order to bring world prices into proper relations and afford a normal basis for trade.

In short, at a time when credits in the United States are necessary in order to stabilize the exchanges and sustain the flow of our regular exports, the suspension of which would paralyze our own markets, there is nothing to gain by insisting upon early payments upon this foreign indebtedness.

The Rail and Coal Strikes

The rail and coal strikes are still embarrassing the business situation, and with the Summer passing and stocks of coal approaching exhaustion the coal problem becomes more serious. Every week that passes now without a general resumption of mining means congestion of rail traffic later, not to speak of the menace to industry, employment, health and the general welfare which is involved in a continued shortage of coal. The production of coal in the non-union fields has fallen off somewhat by reason of car-congestion resulting from the railroad strike. Otherwise the strike of railroad shopmen has not seriously affected traffic as yet. Recent reports have indicated that the shopmen, after being out for a month, are now chiefly interested in getting back with their seniority rights.

President Harding invited the representatives of mine-workers and mine-operators to Washington and laid before them a proposal for arbitration, and for a thorough investigation of the coal industry, looking to the development of a permanent policy for the preservation of peace and wholesome working conditions, upon a sound economic basis.

The miners declined to accept the proposal; a majority of the operators accepted outright, and a minority subject to conditions which, in view of rejection by the miners, are not of importance.

This praiseworthy effort of the President to bring about a settlement by an impartial inquiry and decision having failed, he has urged the operators to endeavor to resume operations and called upon the governors of states to provide protection where needed. Preparations have been made by the Department of Commerce to distribute the available supply of coal where it will be most serviceable to the public.

The Interstate Commerce Commission has issued orders declaring that a public emergency exists, and directing that the railroads in moving freight give priority to food for human consumption, feed for live stock, live stock, perishable products and fuel. Although industry and business will be seriously hampered unless the strikes are settled, the strikers are likely to be disappointed in their expectations that the country will be completely helpless. Non-union mines can supply about one-half the coal required.

Strike Lawlessness

The strikes are accompanied, as usual, by attempts to terrorize workers who continue at work or take the places vacated. Picketing is the regular thing, and after the offenders are marked, threats, family intimidation, slugging, the use of dynamite, battles, murders follows. A month ago we referred to the Herrin massacre, and during the past month a dozen or more men, including the chief peace officer of a county, have lost their lives in an attack upon a mine in West Virginia. In all such cases it is claimed that the strikers have a right to the jobs they have vacated, and that the employers and victims are the disturbers of the peace. The labor leaders disclaim responsibility for the outrages, but plead in their defense that such outbreaks are an unavoidable accompaniment of a strike. This admission emphasizes the responsibility that attaches to the act of calling a strike. Moreover, no amount of protestation can obscure the fact that violence is the chief dependance for winning a strike. The Herrin affair was a great victory, and served to tighten up the lines in every union district of the country.

The presence of police or troops to preserve order is decried by the very strike-leaders who profess their own inability to control their followers. It is said that union men will not work in the presence of such representatives of lawful authority. At Bloomington, Illinois, within the past month, trainmen not involved in the strike were reported as refusing to take trains out of yards that were guarded by State troops. This was so soon after the Herrin affair that the inference is that they wanted the field clear for its repetition.

The Common Interest in Order

This manifest disposition on the part of great numbers of people to disregard the law of the land and have their own way by force is far too serious a matter to be passed over either with mere excuses or mere disapproval. It is a subject for the most thoughtful consideration, because it shows that notwithstanding our boasts about the intelligence of our citizenship and the high level of our civili-

zation, a deplorable proportion of the people have no conception of the essential principles upon which democratic society must be based. This may sound severe, but will anybody question that respect for the authority of law and rights of others is at the very base of all social institutions?

One of the first conditions of civilization is that there shall be orderly methods of settling differences as they arise between members of the community, according to principles based upon equity and the common interests, instead of allowing such issues to be fought out with fists or clubs or otherwise. The appeal to force has no place in civilized society except as society itself may discipline its unruly members.

Organized society itself has lapses and nations resort to war, but an overwhelming majority of the people of every country condemn war in the abstract, and hope to abolish it. All around the world a day has been just devoted to the theme, "No More War." There is no difference, however, in spirit, between the coercion of a strike which involves the welfare of a whole community and the coercion of war, and it is idle to expect to abolish war so long as the passions that make war are given free sway in every dispute. The way to end war is by educating the people to the orderly settlement of all disputes.

One of the chief qualifications for membership in a self-governing community is the ability to distinguish between the matters of primary importance and those of lesser importance and the practical sense not to sacrifice the former to the latter. The matter of primary importance to society is order, government—a system by which the common will may be expressed in law and made to rule the land. If there are no means for doing this, the basis for revolution exists, but under a government in which the people rule, the matter of first importance is that the government shall be sustained.

No Game Without an Umpire

It is a condition of every game in which rivals contend that there shall be rules and authority to enforce them and decide every question that arises. Abolish the umpire and the rules, and the game disappears. If you care for the game, support the authority that maintains it.

There is no place where the primitive impulse to rebel against authority is more often manifested than on the ball field, but everybody agrees that the umpire must be retained. He may be called to account, and if criticism is sustained by the final authority he may be displaced, but while he is in authority he must be obeyed for the sake of the game.

There are people who defend the Herrin outrage because, they say, they sympathize with the laboring man, and they feel that they should support him in every struggle to better his condition.

Sympathy, as a fellow-feeling, a reaction to the anxieties or sufferings of another, is a most elevating emotion, but what one is impelled by his sympathy to do depends upon his intelligence. Presumably he wants to do something that will be helpful. No one is more interested in the maintenance of law and order than the common man, whose lot is that of the mass of mankind and who gets his living by his labor from day to day. His fate is made by the general social movement. It depends upon greater effectiveness in the industrial organization as a whole, improvements in the equipment and more abundant production. The sum total of goods must be increased to take care of a greater population. It cannot be done without order and cooperation in the working force.

The Public Interest

When it is affirmed that the public interest must be paramount, it does not follow that individual interests are sacrificed. On the contrary individual interests are protected by the maintenance of public authority. That is illustrated by the regulation of traffic in the streets of a crowded city. The regulations are a restraint upon individual freedom in the streets, but everybody goes through the streets more freely because of them.

The trouble with the miners and the shopmen is not that they contend for what they believe to be their rights, but that they refuse to recognize that other rights are involved, and that all rights are entitled to a hearing together and to adjudication in an orderly manner. The matter of first importance is the method of settlement, for that involves loyalty to the principles of our government.

The miners refuse arbitration, relying upon their ability to force a suspension of industry, and starve or freeze the public into submission. The shopmen rebel against a decision of a judicial body provided by law to regulate wages in the railroad service. Both of these organizations have rejected the only method by which an impartial investigation and judgment may be had and the rights of the public safeguarded.

The spokesmen of these organizations try to make it appear that the struggle is between them and the proprietors of the mines and railroads, but the public knows better. It knows who pays for mining coal and for transportation. The real issue is between the miners and shopmen on one side and organized society on the other. Mr. Gompers at-

tempts to drag Wall Street in as a party to the affray, but Wall Street is not claiming the privilege of deciding any of the questions at issue. The owners of railroad property have long been subject to public authority. The investor in railroad property has notice that railroad charges are regulated by public authority, that in case of a wage controversy wages are regulated by public authority, and that in any public emergency the public interests are paramount. Within recent weeks the Interstate Commerce Commission has issued an order reducing railroad charges and it has gone into effect. The question under debate now is whether the labor organizations that have entrenched themselves in the mines and railroad shops may by virtue of possession dictate the terms upon which the public may have coal and transportation.

If they are as strong as they say they are, and their right to do as they please with these essential industries is unchallenged, the American people are in their power. The difference between this and Sovietism is invisible from the standpoint of the public.

The Living Wage

Newspaper reports have represented that there might be a movement in the Senate to amend the Cummins-Esch act to more clearly impose upon the Railroad Labor Board the duty to assure a "living wage." The language of the law governing the Board in wage disputes is now as follows:

In determining the justness and reasonableness of such wages and salaries or working conditions the Board shall, so far as applicable, take into consideration among other relevant circumstances:

- (1) The scales of wages paid for similar kinds of work in other industries.
- (2) The relation between wages and the cost of living.
- (3) The hazards of the employment.
- (4) The training and skill required.
- (5) The degree of responsibility.
- (6) The character and regularity of the employment; and
- (7) Inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments.

Discussing these provisions, Frank H. Dixon, Professor of Economics at Princeton and a specialist in transportation, has recently said:

No mathematical rule has been discovered for the determination of a reasonable wage. But so long as we maintain our regime of private industry, one of the determining influences that must be accepted by any wage-adjustment board is the first-named of the seven conditions listed in the statute, "the scale of wages paid for similar kinds of work in other industries." Granted that the statistics of wages have been honestly and intelligently gathered and that no manipulation of wage rates has occurred through undue pressure of combined capital, the price that must be paid for similar labor in the open market is one of the conclusive factors in determining the reasonableness of a prevailing wage standard. Moreover, in connection therewith the Board should adjust wages in harmony with the industrial conditions of each locality. Stand-

ardized wages effective over wide areas can with difficulty be defended on any economic basis. Their reason for existence is political and strategic. Testimony submitted by the employes themselves in Chicago recently is a virtual recognition of the need of restoring those differentials between town and city and between one section and another that were largely destroyed during the period of the national agreements.

The provisions of the law seem to be comprehensive and reasonable. It is right that conditions peculiar to railroad service should be taken into account, but there is no justification for setting up a special standard of living for railroad employes. The conclusive reason against it is that other people, many of whom have a lower standard of living, would have to pay the bill.

The Department of Agriculture estimates that during the month of June, 1922, the average purchasing power of agricultural products was 72 per cent of what it was in the year 1913. That is to say a composite amount of agricultural products which in 1913 would buy \$100 worth of a composite amount of other staple products will now buy only about \$72 worth of those commodities. On the other hand the railroad shopmen are striking for wages of greater purchasing power than they were receiving in 1913, and the burden of paying them has fallen largely upon farmers.

The Right to Strike

The farmers in the West have been pleading for coal to thresh their grain, which is standing in the fields, without avail. The growers of perishable products are alarmed over the possibility that the crippling of transportation may be as complete as the strikers are striving to make it. These people are not recognized by the strikers as parties to the controversies, or as having any rights involved, and if the situation develops until every industry is shut down, the sacred right to strike still will have champions.

What is included in the right to strike? The right to quit work in itself is not questioned. The President has said that the Government will compel no man to work against his will. But the activities of the union coal-miners and shopmen go far beyond the peaceful abandonment of their jobs in order to better themselves elsewhere. Their actions and language show that they are engaged in an organized effort to prevent the public from having coal or transportation except upon the conditions laid down by them. Conspiracies of this kind against the public are not privileged, except as legislative bodies in their desire to help the wage-earning class in struggles with employers, have made them so. Nobody would suggest an attempt to coerce great bodies of wage-earners to work against their will. The inflammatory talk about driving men to work

with guns is all beside the mark. But the effectiveness of the strike would be greatly diminished if the organized conspiracy was made unlawful.

The strike is an attack upon the society of which the strikers are themselves a part, and the effects upon themselves and the great body of workers whose sympathies they claim are as severe as the effects upon anybody. They have no advantage over other people in a trial of endurance, and thus far the public manifests no serious concern about the situation. There is a strong feeling of confidence that notwithstanding the passion unfortunately aroused by such a conflict, the principles of equal rights, majority-rule and the orderly settlement of disputes are too well established in this country to be overthrown. There is reliance at last in the patriotism and sober judgment of the great body of the strikers themselves.

Bankers and Railroads

Judge R. S. Lovett, Chairman of the Board of Directors of the Union Pacific Railroad, called as a witness recently before the Committee on Interstate Commerce of the United States Senate, made some very definite statements in reply to the charges that the railroads are controlled by a small group of Wall Street bankers. These charges are put into circulation by irresponsible parties who either talk at random without knowledge of the facts or are interested in misrepresenting the facts, but unfortunately they are widely read and no doubt accepted by many people as having more or less truth in them. Judge Lovett said in part:

"I know of no men, he continued, "in any important business which they do themselves not own, who are as independent and free from control by bankers, boards of directors and others (except commissions and many other public regulatory authorities and the various labor organizations) than the presidents of the principal railroad systems of this country in all matters relating to the maintenance and operation of the railways in their charge, the purchase of materials and supplies therefor, and the wages paid and relations with labor employed thereon; and this same independence is, of course, carried by each executive when he acts as a member of the Association of Railway Executives."

Referring specifically to a statement made before the Senate Committee by Mr. Lauck, representing the railroad brotherhoods, Judge Lovett said:

"I state now, and as broadly and as emphatically as I can, that during all the years I have been a director and officer of railroad companies, the management and policies of each system have been in its own interest alone, as distinct from the other systems, and have been as separately in all respects as if there had been no common directors; that there has been no combination or common control or direction of them; that none of the banks or financial institutions mentioned by Mr. Lauck or shown on his exhibits, and no other bank, banker or financial institution or groups or such have controlled or sought to control them, or had anything to do with the policies or man-

agement or with the business or affairs of any of said railroad companies, so far as I know or believe, except in lending them money or buying their securities.

Touching directly the charge that bankers were influencing railroad officials in their efforts to reduce wages, Judge Lovett said:

"No banker or any board of directors, or committee, at any time or place, has ever given me any advice or sought in any way to influence me as to the 'deflation of wages' of railroad labor or as to what wages should be paid to or what working rules and regulations should be established for, or what if any contract should be made with railroad labor, or had anything whatever to do with the policy of railroad management with respect to railroad labor. All the bankers with whom I have had anything to do or with whom I come in contact, on or off railroad boards, or in railroad management, have shown a friendly attitude toward labor, union labor at that, so far as I ever heard any expression from them on this subject."

"The fact is that the bankers are no more concerned about railroad labor than are other wide-awake citizens and manifest no more interest in the subject. The larger banks in New York, at which much of the denunciation has been leveled, and other investment bankers, own little if any railroad stocks. These bankers do not buy stocks to keep but to sell, just as the merchant buys goods to sell. They sell as quickly as possible after they buy in order to buy again, for their profit is in the turnover. What interest have they, therefore, in the railroad wage question, more than any other citizen. It is the stockholder, and on weak roads, sometimes the bondholders, who are interested in wages and working rules and conditions, because as they had been going in recent years these expenses may mean the loss of their property."

Dairying in the Northwest

The annual National Dairy Show will be held this year on the Minnesota State Fair Grounds, located between the Twin cities.

The development of the dairy industry in the Northwest has been rapid in recent years. Perhaps not many know that Minnesota leads all the states in butter production, and that only New York and Wisconsin are ahead of it in number of milk cows and total of dairy products. North Dakota also is making rapid progress as a dairy state. In the ten years covered by the last census, the number of dairy cows in Wisconsin increased by 706,312, or about 48 per cent; in Minnesota the number of dairy cows increased by 447,070, or 41 per cent, and in the other states along the Canadian border the increase was as follows: North Dakota, 201,920, or 77.8 per cent; Montana, 75,898, or 98 per cent; Washington, 103,403, or 55.5 per cent. South Dakota also made a good showing, with a gain of 191,236, or 51.7 per cent.

One reason for the growth of interest in dairying in these states doubtless is to be found in the fact that the freight charges to market on dairy products are a much less percentage of their value than in the case of more bulky products. This is a more important factor for the West and Northwest than before the war, and apparently is to remain a very influential factor. The West cannot afford to ship hay or grain long distances.

During the depression of the last two years

the farming districts in which dairying was an important factor have been much less affected than others. Although dairy products have declined in price the decline has been less than in the case of the grains, cotton or cattle. Dairying usually means diversified farming, for pigs are a natural accompaniment, and this means the production of grain and other animal foods.

The bankers of the Northwest have been taking an active interest in the development of dairying, lending freely for the purpose of enabling farmers to increase their herds and particularly to improve their herds by the introduction of pure bred cattle.

The business men of St. Paul and Minneapolis are actively promoting the forthcoming Dairy Show, expecting that it will increase the interest in dairying throughout the Northwest, particularly by the exhibition of high bred stock and the demonstration of what such stock can do in production. The great need in the dairy business everywhere is to get rid of the low grade cows, many of whom do not pay their keep, and fill their places with cows which yield twice as much milk with the same care.

The year book of the United States Department of Agriculture for 1920 makes the statement that "According to careful estimates, the average dairy cow in the United States produces annually about 4,000 pounds of milk and 160 pounds of butterfat. According to 40,000 yearly individual cow records just tabulated by the Department of Agriculture, the average cow-testing association cow produces 5,980 pounds of milk and 246 pounds of butterfat a year. The world's records are 37,381.4 pounds of milk and 1,205.09 pounds of butterfat. The average dairy cow seems to have plenty of room for improvement."

These figures show the effect of cow-testing in the elimination of unprofitable producers. Even Minnesota does not make a very high showing in the table of averages. The yearly bulletin on creameries of the State Dairy and Food Department of Minnesota for 1920 shows the average number of pounds of milk per dairy cow in Minnesota as 4,360, and the butter fat per cow 166 pounds, or 3.8%.

However, that Minnesota is making progress is demonstrated by the record for dairy cows over the past twenty years, as follows:

Year	Number of Cows	Milk per Cow (pounds)	Butter Fat per Cow (pounds)	Butter Cow
1890.....	566,000	2,800	110	128
1895.....	677,000	3,000	114	133
1900.....	789,000	3,250	123	143
1905.....	937,000	3,560	135	157
1910.....	1,085,000	3,900	148	173
1915.....	1,210,000	4,150	157	183
1920.....	1,395,000	4,360	166	194

There is more to be accomplished by raising the grade of the cows than by legislation at Washington.



A Financial Background —of 110 Years

IN the early summer of 1812 — 110 years ago — the City Bank was granted its charter by the State of New York and began its business career at 52 Wall Street, across the street from its present head office.

It was with this background of more than a century of financial experience, and backed by the resources of what had developed into the largest financial institution in the Western Hemisphere,

that The National City Company was established.

Today, the Company, with its chain of American and Canadian offices and its staff of field representatives in daily touch with Wall Street through 10,000 miles of private wires, brings to the bankers, institutions and individual investors throughout the continent a quality of investment service that carries with it many definite advantages.

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National City Bank Building, New York

BONDS

SHORT TERM NOTES

ACCEPTANCES



